



CITY OF VERONA, MISSOURI

YEAR ENDED MARCH 31, 1998

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 99-20  
March 25, 1999

# AUDIT REPORT



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from Verona, Missouri.**

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**NOTE:** Recommendations as well as responses from the city can be found on the pages which correspond with the findings below.

**Problems relating to public fund expenditures and accounting for restricted revenues.**

- < (See management advisory report page 8 / re: restricted revenues --- and the city's response to the audit's findings and recommendations.)
- < (See management advisory report pages 8-11 / re: expenditures and related items -- and the city's response to the audit's findings and recommendations)

**The need to appoint a separate individual as city collector, or establish independent review procedures for the city clerk so the clerk's responsibilities are segregated for both receiving and disbursing city funds. Also independent review procedures need to be applied for calculations of city sewer rates and delinquent sewer accounts.**

- < (See management advisory report pages 11-13 / re: accounting controls and procedures -- and the city's response to the audit's findings and recommendations)
- < (See management advisory report pages 15-16 / re: sewer system procedures -- and records -- and the city's response to the audit's findings and recommendations)

**Better adherence to proper procedures relating to the closure of aldermanic meetings, availability of public records, and lack of city property records.**

- < (See management advisory report pages 13-14 / re: meetings, minutes, and records -- includes the city's response to the audit's findings and recommendations)
- < (See management advisory report pages 16-17 / re: city property records -- and the city's response to the audit's findings and recommendations)

**Historical information regarding Verona's governmental structure can be found on page 4.**

**See summary of findings pages 6-7.**

YELLOW SHEET

CITY OF VERONA, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Honorable Mayor  
and  
Members of the Board of Aldermen  
City of Verona  
Verona, Missouri 65769

The State Auditor was petitioned under Section 29.230, RSMo, to audit the city of Verona, Missouri. The city had engaged Wallace, Harner & Associates, P.C., Certified Public Accountants (CPA firm) to perform a financial audit of the city for the year ended March 31, 1998. To minimize any duplication of effort, we reviewed the report and substantiating working papers of the CPA firm. Our audit of the city included, but was not limited to, the year ended March 31, 1998. The objectives of this audit were to:

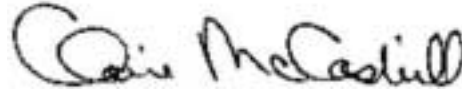
1. Perform procedures we deemed necessary to evaluate the petitioners' concerns.
2. Review compliance with certain constitutional provisions, statutes, ordinances, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with applicable generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, city policies and ordinances, and various city financial records.

Our audit was limited to the specific matters described above and was based on the selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in this report.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the city and was not subjected to the auditing procedures applied during our audit of the city.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of the city of Verona, Missouri.

A handwritten signature in dark ink, appearing to read "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" written in a larger, more prominent script than the last name "McCaskill".

Claire McCaskill  
State Auditor

December 21, 1998

## HISTORY AND ORGANIZATION

# CITY OF VERONA, MISSOURI HISTORY AND ORGANIZATION

The city of Verona is located in Lawrence County. The city was incorporated in 1916 as a fourth-class city. The population of the city in 1990 was 546.

The city government consists of a mayor and a four-member board of aldermen. The four board members are elected for two-year terms. The mayor is elected for a two-year term, presides over the board of aldermen, and votes only in the case of a tie. The mayor, board of aldermen, and other principal officials at March 31, 1998, were:

| <u>Elected Officials</u>           | <u>Term Expires</u> | <u>Compensation for the Year Ended March 31, 1998</u> | <u>Bond</u> | <u>Amount</u> |
|------------------------------------|---------------------|---|-------------|---------------|
| Nadene Weathermon, Mayor           | April 1999          | \$ 90   | \$          |               |
| Joyce Myers, Alderwoman*           | April 1998          | 120   |             |               |
| Brian Chapman, Alderman**          | April 1998          | 120   |             |               |
| Michael Haynes, Alderman***        | April 1999          | 80  |             |               |
| Matt Prunte, Alderman              | April 1999          | 110   |             |               |
| <u>Other Principal Officials</u>   |                     |   |             |               |
| Grace Schmidt, City/Court Clerk    |                     | 14,500  |             | 10,000        |
| Andrew J. Hager Jr., City Attorney |                     | 6,280   |             |               |
| Bill Ray, Building Inspector       |                     | 0   |             |               |
| Don Prunte, Sewer Inspector        |                     | 0   |             |               |
| Randee Stemmons, Municipal Judge   |                     | 500   |             |               |

\* Replaced by Willis Hutson Jr. who won a run-off election in May 1998.

\*\* Replaced by Sherman Mercer who was elected in April 1998.

\*\*\* Michael Haynes was impeached April 15, 1998 and was replaced by Patricia Gates.

In addition to the officials listed above, the city has one full-time and one part-time employee.

Assessed valuation and tax rate information for 1998 and 1997 are as follows:

## ASSESSED VALUATION

|                      | <u>1998</u>         | <u>1997</u>      |
|----------------------|---------------------|------------------|
| Real estate          | \$ 2,057,790        | 2,053,630        |
| Railroad and utility | 187,544             | 160,508          |
| Personal property    | <u>1,612,510</u>    | <u>1,419,220</u> |
| Total                | <u>\$ 3,857,844</u> | <u>3,633,358</u> |

## TAX RATES PER \$100 ASSESSED VALUATION

|              |        |     |
|--------------|--------|-----|
| General Fund | \$ .46 | .45 |
|--------------|--------|-----|

The city has a general sales tax of one percent of retail sales within the city.

## MANAGEMENT ADVISORY REPORT



CITY OF VERONA, MISSOURI  
SUMMARY OF FINDINGS

1. Restricted Revenues (page 8)

The city has not established separate accounting records for state motor vehicle-related receipts and law enforcement training fees to ensure the monies are spent in accordance with the constitution and state law.

2. Expenditures and Related Items (pages 8-11)

Bids or proposals were not always solicited in accordance with the city's purchasing policy. Christmas bonuses were paid to a city official and city employee which appear to represent additional compensation and are in violation of the Missouri Constitution. The city needs a written agreement to define its relationship with the local drug task force. The city maintains two bank accounts which are in the custody of the fire chief, and the city needs to make a clear distinction between the funds in these accounts regarding which funds are city funds and which funds are the volunteer firefighters' personal funds.

3. Accounting Controls and Procedures (pages 11-13)

Accounting duties are not adequately segregated. Bank reconciliations are not properly documented. Checks are signed in advance by the Mayor, and the Mayor is not bonded. Listings of expenditures approved by the board do not classify amounts allocated to each fund. The method of payment is not recorded and the composition of receipts is not reconciled to bank deposits. Records are not adequate to ensure all dog pound redemption fees are calculated properly. Merchant license fees are not established by ordinance and there are no formal policies regarding follow-up on delinquent licenses.

4. Meetings, Minutes, and Records (pages 13-14)

Closed meetings are not always documented and conducted in accordance with state law. Board minutes should be signed by the Mayor. The city has not established a policy regarding public access to city records.

5. City Ordinances and Budgets (pages 14-15)

The city has some outdated codes and ordinances with which it does not comply. Improvements are needed regarding the city's annual budgets.

6. Sewer System Procedures and Records (pages 15-16)

There are no supervisory or independent reviews of sewer rate calculations or adjustments. The board does not review delinquent accounts, and the city has no formal sewer disconnect procedures. The city's current sewer deposit requirements are not in compliance with its ordinance.

7. City Property (pages 16-17)

The city does not maintain inventory records for city property. Complete usage, maintenance, and fuel logs are not maintained for city vehicles.

CITY OF VERONA, MISSOURI  
MANAGEMENT ADVISORY REPORT

|           |                            |
|-----------|----------------------------|
| <b>1.</b> | <b>Restricted Revenues</b> |
|-----------|----------------------------|

- A. During the year ended March 31, 1998, the city deposited \$21,220 of state motor vehicle-related receipts into the General Fund and incurred only \$4,804 of street-related expenditures. Article IV, Section 30, of the Missouri Constitution, requires that motor vehicle-related receipts apportioned by the state of Missouri be used for street-related purposes, including policing, signing, lighting, and cleaning of roads and streets.

The city has not established a separate accounting for these receipts and related disbursements. From 1994 to 1998, the city received \$72,603 in motor vehicle-related revenues but city records indicate only \$50,907 was spent for street-related expenditures.

To ensure compliance with the Missouri Constitution, the city should maintain a separate fund or separate accounting of motor vehicle-related receipts and ensure these receipts are used only for the purposes allowed by the constitution. The unspent balance of street revenues should be accounted for separately along with future receipts.

- B. Law enforcement training fees are not accounted for separately or maintained in a separate fund. During the year ended March 31, 1998, the city received approximately \$180 in training fees and did not incur any training-related expenditures. Section 590.140, RSMo Supp. 1998, requires law enforcement training fees to be used only for the training of law enforcement officers. The city should determine law enforcement training fees collected and transfer the fees to a separate fund or maintain a separate accounting of the funds to ensure the fees are used in accordance with state law.

**WE RECOMMEND** the Board of Aldermen establish separate funds or a separate accounting of state motor vehicle-related funds and law enforcement training fees to ensure compliance with the Missouri Constitution and state law.

**AUDITEE'S RESPONSE**

*We have already implemented this recommendation.*

|           |                                       |
|-----------|---------------------------------------|
| <b>2.</b> | <b>Expenditures and Related Items</b> |
|-----------|---------------------------------------|

- A. The city's procurement policy states that bids shall be taken for all purchases of supplies and contractual services when the estimated costs exceed \$1,000. However, bids or proposals were not solicited or bid documentation was not retained for the following purchases:

| <u>Item</u>               | <u>Amount</u> |
|---------------------------|---------------|
| Patrol car                | \$14,500      |
| Fire department equipment | 6,778         |
| Radio equipment           | 3,264         |
| Insurance                 | 5,246         |
| Radar gun                 | 1,015         |

In addition, the city paid approximately \$2,500 per year to a CPA firm for financial statement preparation and auditing services during fiscal years 1998 and 1997. The city has used the same firm for several years, and there is no documentation of when the city last solicited proposals for auditing services.

Bidding procedures for significant purchases help to ensure the city receives fair value by contracting with the lowest and best bidder. The city should ensure bids or proposals are solicited in accordance with its established policy and applicable documentation is retained.

- B. Christmas bonuses were paid to city employees in December 1998 and 1997. The City Clerk received \$55 and \$50 during 1998 and 1997 respectively, and the individuals serving as police officers received \$50 each for 1998 and 1997.

The bonuses appear to represent additional compensation for services previously rendered and violate Article III, Section 39 of the Missouri Constitution. Attorney General's Opinion No. 72, 1955 to Pray, states, "...a government agency deriving its power and authority from the Constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

- C. The city paid \$1,000 to the Southwest Drug Task Force in January 1998. The city did not obtain a contract outlining the services to be provided and did not obtain documentation of the use of funds. The city should obtain a written contractual agreement with the task force to document what the monies are to be spent on.
- D. The city's volunteer fire department provides fire protection services for the city. The fire department has not been set up as a separate organization and is part of the city government.

The majority of the fire department's operating expenses are paid by the city and approved by the Board of Aldermen; however, the city has also established two bank accounts under its tax ID number (checking account and savings account) which are under the control and custody of the fire chief. Monies deposited into these accounts include donations, fund raising proceeds, grant proceeds, and board-approved stipend payments for firefighters' participation in meetings, training, and fire calls. Expenditures from these accounts are not reviewed by the board and are made at the fire chief's discretion. Our review of these bank accounts noted the following concerns:

1. Disbursements from the savings account are made in cash by the fire chief and supporting documentation, such as vendor invoices, is not maintained for

these disbursements. During 1997 and 1998, approximately \$2,900 was disbursed from the account, and the fire chief indicated the money was used mainly for T-shirts and jackets, Christmas dinners for volunteers and city officials and employees, and a donation to the wife of a deceased former alderman. The Board of Aldermen indicated that the savings account has always been considered the volunteer firefighters' personal funds because it mainly consists of the stipend payments to the volunteers, and the volunteers have elected to let the fire chief use this money for fire department-related purposes; however, the savings account is set up under the city's tax ID number as mentioned above, and the City Clerk makes deposits directly into the account. Therefore, this account functions as a city account.

2. Expenditures are paid by check from the checking account and the related invoices are filed at city hall by the City Clerk. However, the invoices are not filed in any particular order and at least one invoice could not be located. In addition, the invoices are not marked "paid" or otherwise canceled upon payment, and a duplicate payment of \$147 was made by the city for an expenditure already paid by the fire department.

The Board of Aldermen should review this matter and establish a clear distinction between the city's fire department funds and the volunteer firefighters' personal funds. All city funds should be transferred to the City Clerk, who is the city's fund custodian, and all expenditures of city fire department funds should be made by check and reviewed and approved by the Board of Aldermen. The city's tax ID number should not be used for personal bank accounts. In addition, the board should seek reimbursement of the \$147 vendor overpayment.

**WE RECOMMEND** the Board of Aldermen:

- A. Ensure bids or proposals are solicited in accordance with the city's established procurement policy and all related documentation is retained.
- B. Discontinue paying Christmas bonuses to city employees.
- C. Enter into a written contract with the drug task force regarding the services provided by the task force.
- D. Transfer custody of all city fire department funds to the City Clerk and ensure all expenditures are paid by check and are reviewed and approved by the board. In addition, invoices or other supporting documentation should be maintained for all expenditures, and invoices should be canceled to prevent duplicate payments. Finally, the board should seek reimbursement for the \$147 overpayment and ensure the city's tax ID number is not used for personal bank accounts.

**AUDITEE'S RESPONSE**

- A. *We will review our current bidding policy, make changes to the policy if necessary, and ensure the policy is followed.*

- B. *We will not pay any more bonuses.*
- C. *We will review this and obtain a written agreement.*
- D. *The money in the savings account has always been the volunteers' personal funds to be spent at their discretion. We will ensure the volunteers' money is moved into an account which does not have the city's ID number, and all city fire department funds will be placed in the custody of the City Clerk. We have already obtained reimbursement of the \$147 overpayment.*

|           |   |
|-----------|---|
| <b>3.</b> | <b>Accounting Controls and Procedures</b> |
|-----------|---|

- A. The board eliminated the City Collector's position in December 1996 and assigned the duties to the City Clerk. Currently, the City Clerk collects all receipts, maintains receipt and disbursement records, makes bank deposits, co-signs checks, handles all sewer billings and collections, and serves as secretary to the board.

Attorney General's Opinion No. 24, 1955 to Dodds, concluded that in a fourth-class city the holding of the positions of city clerk, city treasurer, and city collector or any two of these three offices, by the same person at the same time would be incompatible. Holding any two of these three offices does not allow the segregation of duties necessary for a proper evaluation and review of financial transactions. The current procedures jeopardize the system of independent checks and balances intended by state law.

Also, to safeguard against possible loss or misuse of funds, internal controls should provide reasonable assurance that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls could be improved by segregating duties to the extent possible. In addition, the board should require someone independent of the cash custody and record keeping functions to perform periodic reconciliations of receipts to deposits and checks issued to disbursement records, and review bank statements and bank reconciliations.

- B. The City Clerk indicated she reconciles the bank accounts but does not retain documentation of the reconciliations. Complete documentation of the reconciliations should be prepared and retained to support conclusions and any corrections made and to facilitate independent reviews.
- C. Checks issued on the bank accounts require signatures of both the City Clerk and Mayor; however, checks are sometimes signed in advance by the Mayor. Signing checks in advance does not allow for proper review of the documentation to support the disbursement and diminishes the control intended by dual signatures. In addition, the City Clerk is bonded but the Mayor is not bonded.
- D. The Board of Aldermen reviews and approves monthly listings of expenditures; however, the listings do not identify the funds to which the expenditures are allocated. Also, the checkbook register does not always identify the fund to which

expenditures are allocated. The expenditures are classified by fund on the annual expenditure reports.

To ensure proper classification of expenditures, the Board of Aldermen should review and approve the classification of expenditures charged to various funds on a monthly basis.

- E. The method of payment (i.e., cash, check, or money order) is not recorded on the receipt listing or the utility payment stubs. To ensure all receipts have been recorded properly and deposited intact, the method of payment should be recorded on each receipt listing or utility payment stub and the composition of receipts should be reconciled to the composition of bank deposits.
- F. The city operates a dog pound for dogs found running at large in the city. The city currently maintains an animal control log which identifies the type of dog picked up and date picked up but does not always document whether the dogs have been redeemed by the owner or taken to the local humane society. Varying amounts are charged for dog redemption based on the number of days the dog was in the city's pound.

To ensure all redemption fees are collected and properly accounted for, the city should maintain accurate records of the disposition of each dog, and the redemption fee due.

- G. City ordinance requires merchants operating within city limits to purchase a merchants license; however, the license fees are not established by ordinance. The fees range from \$25 to \$150 based on the type of business. The license fees are due annually by January 1.

The city does not have a formal policy regarding delinquent licenses. Nine merchants purchased their 1998 licenses after January 1, including three in February and one in March. The city issued a summons to one merchant on February 24, 1998, who had failed to pay (who subsequently paid on February 25, 1998) but did not issue summonses to two other merchants who had not yet paid for their licenses.

To ensure that all merchants are treated equitably, the license fees should be established by ordinance and formal policies on delinquent licenses should be established and followed.

**WE RECOMMEND** the Board of Aldermen:

- A. Consider appointing separate individuals to the positions of City Clerk and City Collector and provide for adequate segregation of duties. If this is not possible, procedures for independent reviews of accounting records should be established.
- B. Ensure monthly bank reconciliations are performed and documented for all accounts.
- C. Discontinue the practice of signing checks in advance, and obtain bond coverage for the Mayor.

- D. Identify and approve all expenditures by fund type to ensure proper classification of expenditures.
- E. Ensure the method of payment is recorded on each receipt listing or utility stub, and the composition of receipts is reconciled to the composition of deposits.
- F. Ensure disposition is indicated on the animal control log to ensure all redemption fees are properly accounted for and collected.
- G. Establish merchant license fees by ordinance and develop a formal, written policy for delinquent licenses to ensure that all merchants are treated equitably.

#### **AUDITEE'S RESPONSE**

- A. *We agree with the recommendation, but the city does not have sufficient resources to hire additional personnel. A designated board member will review the City Clerk's work.*
- B & D-F. *These recommendations have already been implemented.*
- C. *The Mayor has stopped signing checks in advance, and we agree that the Mayor should be bonded.*
- G. *We agree with this recommendation.*

|           |                                       |
|-----------|---------------------------------------|
| <b>4.</b> | <b>Meetings, Minutes, and Records</b> |
|-----------|---------------------------------------|

- A. The Board of Aldermen conducted several closed meetings during the year ended March 31, 1998; however, the minutes did not always document the related vote or the reasons for closing the meeting. Section 610.022, RSMo Supp. 1998, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session.  
  
Also, some topics discussed in closed meetings did not meet the criteria outlined in Section 610.021, RSMo Supp. 1998. For example, the board approved the purchase of a police car in a closed session on June 26, 1997 and agreed to obtain employee health insurance during the June 19, 1997 closed meeting. The board should restrict the discussion in closed sessions to the specific topics allowed by state law.
- B. The board minutes are prepared and signed by the City Clerk, but the minutes are not signed by the Mayor. The board minutes should be signed by the Mayor to provide an independent attestation that the minutes are a correct record of the matters discussed and actions taken during the board's meetings.
- C. The city does not have a formal policy regarding public access to city records. A formal policy regarding access to city records would establish guidelines for the city to make records available to the public. This policy should establish a person to



contact and an address to mail requests for access to records. Section 610.023, RSMo Supp. 1998, lists requirements for making city records available to the public.

**WE RECOMMEND** the Board of Aldermen:

- A. Hold a vote to go into closed session, state the reasons for going into closed session, publicly disclose the final disposition of applicable matters discussed in closed session, and ensure only allowable, specified subjects are discussed in closed session as required by state law.
- B. Ensure board minutes are signed by the Mayor to attest to their completeness and accuracy.
- C. Establish formal written policies and procedures regarding public access to city records.

**AUDITEE'S RESPONSE**

A. *We agree and will ensure the Sunshine Law is followed for future meetings.*

B&C. *We agree and will implement these recommendations.*

|                                       |
|---------------------------------------|
| <b>5. City Ordinances and Budgets</b> |
|---------------------------------------|

- A. The city has not reviewed all city codes/ordinances to determine whether current city operations are in compliance. As a result, the city has some outdated codes and has not complied with other codes.

For example, City Code No. 24.120 requires all new ordinances and resolutions to be endorsed by the board member introducing the ordinance or resolution; however, this code has not been followed. Additionally, City Code No. 21.170 requires the mayor to call a special election to fill a vacancy on the board of aldermen unless the next general municipal election is less than 6 months away. The board, however, appointed an individual to fill a vacant board of aldermen position during April 1998 when the next general election was not until April 1999. The decision to appoint the individual instead of holding a special election was based on the City Attorney's advice because he believed the city ordinance contradicted an applicable state law.

As the above examples illustrate, the city should review its current ordinances and amend or rescind outdated ordinances and ensure all ordinances are complied with.

- B. The city adopts annual budgets for the General Fund and the Sewer Fund. There is no documentation when the budgets for the year ended March 31, 1998 were approved and adopted by the Board of Aldermen. The City Clerk indicated the budgets were approved during or around August 1997. Section 67.080, RSMo 1994, provides that no expenditure of public monies shall be made unless it is authorized in the budget.

In March 1998, the city adopted budgets for the year ended March 31, 1999; however, the budgets did not include projected ending balances, actual (or estimated for years not yet ended) revenues and expenditures for the two preceding budget years, or a budget message.

In addition, the board does not periodically compare budgeted and actual revenues and expenditures, and actual expenditures exceeded budgeted amounts during the year ended March 31, 1998.

Sections 67.010 to 67.040, RSMo 1994, set specific guidelines as to the format and approval of the annual operating budget. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for each area of city operations and provide a means to effectively monitor actual costs and revenues.

**WE RECOMMEND** the Board of Aldermen:

- A. Consider updating the codification of city ordinances to help ensure all ordinances are current, reflect the board's intentions, and are complied with.
- B. Prepare annual budgets in compliance with state law and periodically compare budgeted and actual revenues and expenditures.

**AUDITEE'S RESPONSE**

- A. *We agree with this recommendation.*
- B. *The budgets that we are currently working on for the upcoming fiscal year will comply with state law. The current board has been comparing budgeted and actual expenses.*

|   |
|---|
| <b>6. Sewer System Procedures and Records</b> |
|---|

- A. Individual customer sewer rates are calculated annually by the City Clerk based on water usage readings provided by the independent water company. There is no supervisory or independent review of these calculations. In addition, the City Clerk is responsible for making adjustments to individual customer accounts due to invalid water meter readings or water leaks.

While reasons to adjust the billings may be valid, it appears most adjustments are made at the discretion of the City Clerk and are not formally reviewed by other city officials. Supervisory or independent review and approval of the rate calculations and adjustments helps to ensure such transactions are proper and reduces the possibility that improper or erroneous adjustments would go undetected.

- B. The Board of Aldermen does not periodically review delinquent sewer accounts. Follow-up on delinquent accounts is performed by the City Clerk; however, the city has some old delinquent balances dating back to 1996.

The city should review delinquent accounts monthly and ensure appropriate follow-up procedures are performed. In addition, the board should review the old delinquent accounts for collectibility and write off those amounts determined to be uncollectible.

In addition, the city has no formal sewer disconnect procedures. The City Clerk indicated she will usually send out a disconnect notice after four months of non-payment and give the person 30 days to pay the bill. However, she indicated some accounts remained delinquent for several years before being disconnected. A formal policy for sewer disconnect procedures should be established and followed.

- C. City ordinance requires a refundable deposit of \$60 on all new sewer connections; however, the city only charges the \$60 deposit on sewer reconnections. The City Clerk indicated she misunderstood the ordinance and thought that it only applied to reconnections. As a result, the city's current procedures are not in compliance with approved ordinances.

**WE RECOMMEND** the Board of Aldermen:

- A. Require supervisory or independent review and approval for rate calculations and adjustments made to sewer billings.
- B. Review delinquent sewer accounts on a monthly basis and write off old uncollectible accounts. In addition, the board should develop a formal sewer disconnect policy and ensure the policy is followed.
- C. Collect sewer deposits in accordance with city ordinance.

**AUDITEE'S RESPONSE**

- A. *We have been verbally approving adjustments and we will document this approval in the future.*
- B. *We agree and are working on this.*
- C. *We will review this ordinance and take appropriate action.*

|                         |
|-------------------------|
| <b>7. City Property</b> |
|-------------------------|

- A. The city has not prepared and maintained permanent, detailed property records for general fixed assets, including the cost of land, buildings, equipment, and furniture owned by the city. In addition, the city has not prepared and maintained permanent, detailed property records for the sewer system. Also, annual physical inventories are not performed.

Property records for general fixed assets are necessary to ensure accountability for all items purchased and owned and for determining the proper amount of insurance coverage.

To develop appropriate records and procedures for general fixed assets and the fixed assets of the sewer system, the city needs to undertake a comprehensive review of all property owned by the city. Assets should be counted, tagged for specific identification, and recorded by description and serial number in a detailed property ledger at historical cost or estimated historical cost if the original cost is not available. The city should properly record all fixed asset transactions, and ensure the accuracy of the recorded fixed assets. Periodically, the city should take physical counts of its assets and compare them to the detailed records.

- B. The city has one patrol car, two fire trucks, and a brush buggy. Mileage or usage logs which document vehicle usage are not maintained for most vehicles. For the patrol car, the police officer documents odometer readings on daily activity logs; however, ending odometer readings do not always agree to the next day's beginning odometer reading and at least one daily log was missing. While some differences exist because the police officer drives the vehicle home at night, our review noted a gap of 103 miles between an ending and a beginning reading which was not accounted for.

Logs are necessary to document appropriate use of the vehicles and to support gasoline charges. The logs should include the purpose and destination of each trip, the daily beginning and ending odometer readings, and the operation and maintenance costs. These logs should be reviewed by a supervisor to ensure all mileage is recorded, the vehicles are being properly utilized, and help identify vehicles which should be replaced. Information on the logs should be reconciled to fuel purchases and other maintenance charges.

**WE RECOMMEND** the Board of Aldermen:

- A. Establish property records for general fixed assets and the fixed assets of the sewer system that include all pertinent information for each asset, such as tag number, description, cost, acquisition date, location, and subsequent disposition. In addition, annual physical inventories should be performed.
- B. Maintain complete and accurate mileage, usage, and maintenance logs for each vehicle. The logs should be reviewed by a supervisor periodically for completeness and reasonableness.

**AUDITEE'S RESPONSE**

- A. *We agree and will work to develop property records.*
- B. *The patrol car mileage log is now complete and all miles are recorded. We will consider maintaining some type of usage and maintenance logs for the other vehicles.*

This report is intended for the information of the city's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.